

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham &amp; Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Township of Handy  
Livingston County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2004**

Township of Handy  
BOARD OF TRUSTEES  
June 30, 2004

Cynthia Denby

Supervisor

Laura Eisele

Clerk

Linda Tesch

Treasurer

Henry Vaupel

Trustee

Fred Krebs

Trustee

Township of Handy

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Principals

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Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
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Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Handy  
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Handy, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Handy's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Township of Handy for the year ended June 30, 2003, were audited by other auditors whose report dated December 8, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Handy, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Handy's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 21, 2004

## **Township of Handy**

### **Management's Discussion and Analysis**

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#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of Township of Handy's (the Township's) financial performance and position, providing an overview of the activities for the year ended June 30, 2004. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Township's financial statements, which follow this section. 2003/2004 represents the first year the Township implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

#### **FINANCIAL HIGHLIGHTS**

##### **Government-wide:**

- Total net assets at the close of the fiscal year were \$5,358,637.
- Governmental activities net assets were \$782,131.
- Business-type activity net assets were \$4,576,506.

##### **Fund Level:**

- At the close of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$605,802.
- The General Fund realized \$230,627 less in revenues than anticipated for the fiscal year. However, General Fund operations also expended \$362,773 less than appropriated.
- Overall, the General Fund balance increased by \$20,132 to \$602,574 - all undesignated and available for general purposes.

##### **Capital and Long-term Debt Activities:**

- The total long-term debt for the primary government was \$828,242 with a net reduction of \$35,889 from the prior year.
- The total additions to the capital asset schedule for the primary government were \$2,230,810 which included construction of the new sewer system.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Township's annual financial report. The annual financial report of the Township consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and other funds and financial data.

## **Township of Handy**

### **Management's Discussion and Analysis**

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#### **Government-wide Financial Statements (Reporting the Township as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Township as a whole, and about its activities. Their purpose is to assist in answering the question, is the Township, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Township's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Township's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Township's net assets changed during 2003/2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the Township's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Township's general government departments, law enforcement, economic development, Township improvements, recreation activities, and other Township wide elected official operations.
- ***Business-type Activities*** - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The Sewer Fund is an example of these activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 7 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts for bonds appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, equipment, etc. These values are not included in the fund financial statements.



## **Township of Handy**

### **Management's Discussion and Analysis**

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#### **Fund Financial Statements (Reporting the Township's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the Township's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Township of Handy include the General Fund and the Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Township includes detailed information on its non-major funds in the other supplementary information section of this report.

The Township's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the Township's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Township's programs. Governmental funds include the *General Fund*, *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest), and *Capital Projects Funds* (used to report major capital acquisitions and construction).
- ***Proprietary Funds*** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. *Enterprise funds* report activities that provide supplies and/or services to the general public. The Township maintains proprietary funds for the sewer system and water system operations.
- ***Fiduciary Funds*** - The Township acts as a trustee or fiduciary in certain instances. The Township's fiduciary activities are reported in the separate Statement of Net Assets on page 10. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the Township to fund its operations.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 11 of this report.

## **Township of Handy**

### **Management's Discussion and Analysis**

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#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund.

#### **Other Supplementary Information**

Other Supplementary Information includes combining financial statements for nonmajor governmental funds and fund financial statements for the component unit. The nonmajor governmental funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

### **FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

As previously stated, Township of Handy's combined net assets were \$5,358,637 at the end of this fiscal year's operations. The net assets of the governmental activities were \$782,131; the business type activities were \$4,576,506.

#### **Net Assets as of June 30, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current Assets	\$ 559,095	\$ 4,289,479	\$ 4,848,574
Noncurrent Assets	<u>730,741</u>	<u>4,726,122</u>	<u>5,456,863</u>
<b>Total Assets</b>	<b><u>\$ 1,289,836</u></b>	<b><u>\$ 9,015,601</u></b>	<b><u>\$ 10,305,437</u></b>
Current Liabilities	\$ 137,705	\$ 259,095	\$ 396,800
Noncurrent Liabilities	<u>370,000</u>	<u>4,180,000</u>	<u>4,550,000</u>
<b>Total Liabilities</b>	<b><u>\$ 507,705</u></b>	<b><u>\$ 4,439,095</u></b>	<b><u>\$ 4,946,800</u></b>
Net Assets			
Invested in Capital Assets (Net of related debt)	\$ 165,741	\$ -	\$ 165,741
Restricted	-	256,757	256,757
Unrestricted	<u>616,390</u>	<u>4,319,749</u>	<u>4,936,139</u>
<b>Total Net Assets</b>	<b><u>\$ 782,131</u></b>	<b><u>\$ 4,576,506</u></b>	<b><u>\$ 5,358,637</u></b>

## **Township of Handy**

### **Management's Discussion and Analysis**

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The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Township's primary government net assets changed during the fiscal year:

#### **Changes in Net Assets for the Fiscal Year Ending June 30, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 140,767	\$ -	\$ 140,767
Grants and Contributions	49,517	222,012	271,529
General Revenues			
Property Taxes	263,893	-	263,893
State Shared Revenue	274,696	-	274,696
Investment Earnings	3,684	44,503	48,187
Miscellaneous	<u>22,420</u>	<u>-</u>	<u>22,420</u>
<b>Total Revenues</b>	<b>754,977</b>	<b>266,515</b>	<b>1,021,492</b>
<b>Expenses</b>			
General Government	331,002	-	331,002
Public Safety	140,936	-	140,936
Public Works	103,602	-	103,602
Community and Econ. Dev.	33,044	-	33,044
Recreation and Cultural	10,920	-	10,920
Other	24,457	177,789	202,246
Interest on long-term debt	<u>21,834</u>	<u>-</u>	<u>21,834</u>
<b>Total Expenses</b>	<b><u>665,795</u></b>	<b><u>177,789</u></b>	<b><u>843,584</u></b>
<b>Increase in Net Assets</b>	<b>89,182</b>	<b>88,726</b>	<b>176,908</b>
Net Assets - Beginning	692,949	225,962	918,911
Prior Period Adjustments	<u>-</u>	<u>4,261,818</u>	<u>4,261,818</u>
<b>Net Assets - Ending</b>	<b><u>\$ 782,131</u></b>	<b><u>\$ 4,576,506</u></b>	<b><u>\$ 5,138,141</u></b>

#### **Governmental Activities:**

The result of 2003/2004 governmental activity was an increase of \$89,182 in net assets to \$782,131. Of the total governmental activities' net assets, \$165,741 is invested in capital assets and the balance of \$616,390 is listed as unrestricted, having no legal commitment.

## **Township of Handy**

### **Management's Discussion and Analysis**

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#### **Revenues:**

The three largest revenue categories were state shared revenues at 40%, property taxes at 33%, and charges for services at 18%. The Township levied property tax millage for the year ended June 30, 2004, for general government operations at .9281 and .9804 mills for road work. Charges for services, which reimburse the Township for specific activities, are the second largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits. State shared revenue, the third largest source of governmental activity revenue, is also not assigned to any particular activity.

#### **Expenses:**

General government is the largest governmental activity, expending approximately 50% of the governmental activities total and includes the Clerk, Treasurer, and Township Supervisor departments. Public Safety is the second largest area, expending approximately 21% of the governmental activities total on fire protection.

#### **Business-type Activities:**

Net assets in business-type activities increased by \$88,726 during 2003/2004. Of the business-type activities' net assets, \$256,757 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Township government. The balance of \$4,319,749 is listed as unrestricted, having no legal commitment.

### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S MAJOR AND NONMAJOR FUNDS**

As the Township completed 2003/2004, its governmental funds reported *combined* fund balances of \$605,802. This is a net increase of \$18,509. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Fund Balance 06/30/03</b>	\$ 582,442	\$ 4,851
<b>Fund Balance 06/30/04</b>	\$ 602,574	\$ 3,228
<b>Net Change</b>	\$ 20,132	\$ ( 1,623 )

#### **General Fund:**

The General Fund is the chief operating fund of the Township. Unless otherwise required by statute, contractual agreement or Board policy, all Township revenues and expenditures are recorded in the General Fund. As of June 30, 2004, the General Fund reported a fund balance of \$602,574. This amount is an increase of \$20,132 from the fund balance of \$582,442 reported as of June 30, 2003. The 2003/2004 original budget called for a \$312,690 decrease of fund balance. The entire fund balance is reported as undesignated.

The General Fund 2003/2004 expenditures exceeded 2003/2004 revenues by \$22,456.

## **Township of Handy**

### **Management's Discussion and Analysis**

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#### **General Fund Budgetary Highlights:**

The Township of Handy's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue totaled \$716,898; \$230,627 below the final amended budget. Also the revenue budget fell short on State revenue sharing by \$15,304. This budget shortfall was due to budget cuts at the State level which are trickling down to local municipalities.

Actual Township expenditures for 2003/2004 were \$362,773 under budget. This is due to several reasons, including:

- \$121,121 less than planned expenditures in the hall and grounds.
- \$65,753 less than planned expenditures in the highways and streets.
- \$30,234 less than planned expenditures in the elections.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2003/2004, the Township had invested \$3,524,217, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$120,685 for the primary government. Depreciation charges for the fiscal year totaled \$29,219 for the primary government. Additional information related to capital assets is detailed in Note E of the Financial Statements. Net Book value of capital assets at June 30, 2004 was as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Land</b>	\$ 20,000	\$ -	\$ 20,000
<b>Construction in progress</b>	-	2,893,476	2,893,476
<b>Buildings and additions, net</b>	574,642	-	574,642
<b>Furniture and equipment, net</b>	36,099	-	36,099
<b>Capital assets, net</b>	<b>\$ 630,741</b>	<b>\$2,893,476</b>	<b>\$ 3,524,217</b>

Long-term Debt - As of June 30, 2004, the Township had \$4,890,000 in bonds outstanding for the primary government. This level of net obligation is \$340,000 less than the obligation recorded as of June 30, 2003.

#### **Outstanding Debt as of June 30, 2004:**

<b>Primary Government</b>	<b><u>July 1, 2003</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>June 30, 2004</u></b>
Governmental Activities				
2002 G.O. Tax Bonds	\$ 400,000	\$ -	\$ 15,000	\$ 385,000
1999B MI Transportation Bonds	160,000	-	-	80,000
Business-type Activities				
Sewer System	4,670,000	-	245,000	4,425,000
<b>Total Primary Government</b>	<b><u>\$5,230,000</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 340,000</u></b>	<b><u>\$4,890,000</u></b>

## **Township of Handy Management's Discussion and Analysis**

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A more detailed discussion of the Township's long-term debt obligations is presented in Note F to the financial statements.

### **TOWNSHIP OF HANDY GOVERNMENT ECONOMIC OUTLOOK:**

- State revenue sharing has declined approximately 5.5%, roughly \$15,594 over the past year, and may face additional cuts due to state budget problems.
- Property tax revenue has not kept pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past four years.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.
- The Township created a special assessment district to provide sewer services along parts of Van Buren and Fowlerville Roads. The plant should be in full operation mid January 2005.

These factors were considered in adopting the Budget for 2004/2005. The Township continues to look for ways to increase efficiencies and reduce the cost of doing business.

### **CONTACTING THE TOWNSHIP**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Township of Handy's Office at (517) 223-3228.

## **BASIC FINANCIAL STATEMENTS**

Township of Handy

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 485,236	\$ 236,898	\$ 722,134
Receivables	22,259	4,051,419	4,073,678
Due from other governmental units	45,908	1,162	47,070
Due from fiduciary fund	5,692	-	5,692
Total current assets	559,095	4,289,479	4,848,574
Noncurrent assets			
Deposit with county	-	1,788,281	1,788,281
Advance to County	100,000	-	100,000
Unamortized bond discount	-	44,365	44,365
Construction in progress	-	2,893,476	2,893,476
Capital assets, net	630,741	-	630,741
Total noncurrent assets	730,741	4,726,122	5,456,863
TOTAL ASSETS	1,289,836	9,015,601	10,305,437
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	22,095	-	22,095
Accrued liabilities	14,718	-	14,718
Accrued interest payable	5,892	14,095	19,987
Current portion of long-term debt	95,000	245,000	340,000
Total current liabilities	137,705	259,095	396,800
Noncurrent liabilities			
Noncurrent portion of long-term debt	370,000	4,180,000	4,550,000
TOTAL LIABILITIES	507,705	4,439,095	4,946,800
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	165,741	-	165,741
Restricted for capital projects	-	256,757	256,757
Unrestricted	616,390	4,319,749	4,936,139
TOTAL NET ASSETS	\$ 782,131	\$ 4,576,506	\$ 5,358,637

See accompanying notes to financial statements.



Township of Handy  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 331,002	\$ 92,691	\$ -	\$ (238,311)	\$ -	\$ (238,311)
Public safety	140,936	16,358	20,984	(103,594)	-	(103,594)
Public works	103,602	-	28,533	(75,069)	-	(75,069)
Community and economic development	33,044	31,718	-	(1,326)	-	(1,326)
Recreation and cultural	10,920	-	-	(10,920)	-	(10,920)
Other	24,457	-	-	(24,457)	-	(24,457)
Interest on long-term debt	21,834	-	-	(21,834)	-	(21,834)
Total governmental activities	665,795	140,767	49,517	(475,511)	-0-	(475,511)
Business-type activities:						
Sewer	177,789	-	222,012	-	44,223	44,223
Total	<u>\$ 843,584</u>	<u>\$ 140,767</u>	<u>\$ 271,529</u>	(475,511)	44,223	(431,288)
General revenues:						
Property taxes				263,893	-	263,893
State shared revenues				274,696	-	274,696
Investment earnings				3,684	44,503	48,187
Miscellaneous				22,420	-	22,420
Total general revenues				564,693	44,503	609,196
Change in net assets				89,182	88,726	177,908
Net assets, beginning of the year				692,949	225,962	918,911
Prior period adjustments				-	4,261,818	4,261,818
Net assets, end of the year				<u>\$ 782,131</u>	<u>\$ 4,576,506</u>	<u>\$ 5,358,637</u>

See accompanying notes to financial statements.

Township of Handy

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 472,633	\$ 12,603	\$ 485,236
Receivables			
Accounts	21,522	-	21,522
Interest	125	-	125
Taxes	612	-	612
Due from other governmental units	45,908	-	45,908
Due from other funds	9,375	-	9,375
Due from fiduciary fund	5,692	-	5,692
Advance to County	100,000	-	100,000
TOTAL ASSETS	<u>\$ 655,867</u>	<u>\$ 12,603</u>	<u>\$ 668,470</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payables			
Accounts	\$ 22,095	\$ -	\$ 22,095
Accrued wages	14,718	-	14,718
Due to other funds	-	9,375	9,375
Deferred revenue	16,480	-	16,480
TOTAL LIABILITIES	53,293	9,375	62,668
FUND BALANCES			
Reserved for debt service	-	3,228	3,228
Unreserved, undesignated	602,574	-	602,574
TOTAL FUND BALANCES	602,574	3,228	605,802
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 655,867</u>	<u>\$ 12,603</u>	<u>\$ 668,470</u>

See accompanying notes to financial statements.

Township of Handy

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2004

**Total fund balance - governmental funds** \$ 605,802

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 751,426	
Accumulated depreciation is	<u>(120,685)</u>	
Capital assets, net		630,741

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue		16,480
------------------	--	--------

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Bonds payable	465,000	
Accrued interest payable	<u>5,892</u>	
		<u>(470,892)</u>

**Net assets of governmental activities** \$ 782,131

See accompanying notes to financial statements.

Township of Handy

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 263,893	\$ -	\$ 263,893
Licenses and permits	26,055	-	26,055
Intergovernmental	303,229	20,984	324,213
Charges for services	85,558	-	85,558
Interest and rents	15,743	615	16,358
Other	22,420	-	22,420
TOTAL REVENUES	716,898	21,599	738,497
EXPENDITURES			
General government	337,461	-	337,461
Public safety	132,343	-	132,343
Public works	103,602	-	103,602
Community and economic development	33,044	-	33,044
Recreation and cultural	10,920	-	10,920
Other	24,457	-	24,457
Debt service	85,600	32,934	118,534
Capital outlay	-	2,215	2,215
TOTAL EXPENDITURES	727,427	35,149	762,576
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,529)	(13,550)	(24,079)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	14,142	14,142
Operating transfers out	(11,927)	(2,215)	(14,142)
TOTAL OTHER FINANCING SOURCES (USES)	(11,927)	11,927	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(22,456)	(1,623)	(24,079)
Fund balances, beginning of year	582,442	4,851	587,293
Prior period adjustment	42,588	-	42,588
Fund balances, end of year	\$ 602,574	\$ 3,228	\$ 605,802

See accompanying notes to financial statements.

Township of Handy

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

**Net change in fund balances - total governmental funds** \$ (24,079)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 29,300
Depreciation expense	<u>(29,219)</u>

Excess of capital outlay over depreciation expense	81
--	----

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,480
--	--------

Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	95,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>1,700</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 89,182</u></u>
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See accompanying notes to financial statements.

Township of Handy  
Proprietary Fund  
STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Sewer</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 236,898
Receivables	
Special assessment	4,051,101
Interest	318
Due from other governmental units - local	<u>1,162</u>
Total current assets	4,289,479
Noncurrent assets	
Deposit with county	1,788,281
Unamortized bond discount	44,365
Construction in progress	<u>2,893,476</u>
Total noncurrent assets	<u>4,726,122</u>
TOTAL ASSETS	9,015,601
LIABILITIES	
Current liabilities	
Accrued interest payable	14,095
Current portion of bonds payable	<u>245,000</u>
Total current liabilities	259,095
Noncurrent liabilities	
Bonds payable	<u>4,180,000</u>
TOTAL LIABILITIES	<u>4,439,095</u>
NET ASSETS	
Restricted for capital projects	256,757
Unrestricted	<u>4,319,749</u>
TOTAL NET ASSETS	<u><u>\$ 4,576,506</u></u>

See accompanying notes to financial statements.

Township of Handy

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2004

	<u>Sewer</u>
OPERATING REVENUES	\$ -
OPERATING EXPENSES	<u>-</u>
OPERATING INCOME	-0-
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	266,515
Paying agent fees	(250)
Bond discount	(2,335)
Interest expense	<u>(175,204)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>88,726</u>
CHANGE IN NET ASSETS	88,726
Net assets, beginning of year	225,962
Prior period adjustments	<u>4,261,818</u>
Net assets, end of year	<u><u>\$ 4,576,506</u></u>

See accompanying notes to financial statements.

Township of Handy

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,171
Cash paid to suppliers and vendors	<u>(3,910)</u>
NET CASH USED BY OPERATING ACTIVITIES	(2,739)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Paying agent fees	(250)
Interest expense	(175,204)
Special assessments	225,363
Bond proceeds	2,179,378
Capital purchases	(2,201,510)
Payments on borrowings	<u>(245,000)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(217,223)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	<u>266,515</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,553
Restated cash and cash equivalents, beginning of year	<u>190,345</u>
Cash and cash equivalents, end of year	<u><u>\$ 236,898</u></u>
Reconciliation of operating income to net cash used by operating activities	
Operating income	\$ -
Adjustments to reconcile operating income to net cash used by operating activities	
Decrease in receivables	1,171
(Increase) in due from other governmental units	(1,162)
(Decrease) in accounts payable	(263)
(Decrease) in due to other funds	(1,934)
(Decrease) in accrued interest payable	<u>(551)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (2,739)</u></u>

See accompanying notes to financial statements.



Township of Handy

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	Agency Funds
ASSETS	
Cash	<u>\$    38,378</u>
LIABILITIES	
Due to other funds	\$      5,692
Due to individuals and agencies	28,807
Due to other governmental units	<u>3,879</u>
TOTAL LIABILITIES	<u>\$    38,378</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Handy was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Livingston County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the Township of Handy. The Township has no activities that would be classified as component units.

2. Jointly Governed Organizations

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility:

Fowlerville Area Fire Authority - The Township of Handy, in conjunction with the Townships of Conway and Iosco and Village of Fowlerville, have entered into an agreement that created the Fowlerville Area Fire Authority. The Fire Authority is composed of one (1) member from each of the member municipalities. The Township did not contribute funds to the Fire Authority for the year ended June 30, 2004.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- b. The Sewer Fund accounts for resources generated by providing sewer services to residents of the Township, the costs (expenses, including depreciation) are financed or recovered primarily through user charges. The Township is currently in the process of constructing the sewer system.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Handy  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Budgets and Budgetary Accounting

The General Fund's budget is prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Township employs the following procedures in establishing its budgetary data.

- a. Prior to June 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year beginning the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally adopted by appropriating the funds necessary to operate.
- d. The budget is legally adopted at the functional level.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Any revisions to the budget must be approved by the Township Board.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts.

8. Property Tax

The Township of Handy bills and collects its own property taxes and also taxes for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied annually on December 1, and are payable through February 14. All taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Livingston County Treasurer on March 1. The Livingston County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy taxes up to .9291 mills per \$1,000 of assessed valuation for general governmental services and additional amounts for road work. For the year ended June 30, 2004, the Township levied .9291 and .9804 mills per \$1,000 of assessed valuation for general governmental services and road work, respectively. The total Taxable Value for the 2003 levy for property within the Township was \$191,806,450.

9. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets

Capital assets include land, buildings and improvements, and furniture and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and equipment	3 - 5 years
Buildings and improvements	20-50 years

11. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

13. Accounting Change

As of July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$722,126, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Accounting Change - continued

- Long-term obligations reported on the statement of net assets include \$506,666, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Township of Handy  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Deposits

As of June 30, 2004, the carrying amounts and bank balances are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 722,134	\$ 737,603
FIDUCIARY FUND		
Regular checking	<u>38,378</u>	<u>666,192</u>
TOTAL REPORTING UNIT	<u>\$ 760,512</u>	<u>\$ 1,403,795</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of June 30, 2004, the Township accounts were insured by the FDIC for \$112,603, and the amount of \$1,291,192 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2004:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 722,134</u>	<u>\$ 38,378</u>	<u>\$ 760,512</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details primary government interfund receivables and payables at June 30, 2004:

Due to General fund from:	
Nonmajor funds	\$ 9,375
Fiduciary fund	<u>5,692</u>
Total interfund receivable and payable	<u>\$ 15,067</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Township of Handy

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:

General fund	\$ 11,927
Other nonmajor governmental funds	<u>2,215</u>
	<u>\$ 14,142</u>

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital Assets Being Depreciated				
Buildings and additions	630,504	-	-	630,504
Furniture and equipment	<u>71,622</u>	<u>29,300</u>	<u>-</u>	<u>100,922</u>
Subtotal	702,126	29,300	-0-	731,426
Accumulated depreciation				
Buildings and additions	( 36,238 )	( 19,624 )	-	( 55,862 )
Furniture and equipment	<u>( 55,228 )</u>	<u>( 9,595 )</u>	<u>-</u>	<u>( 64,823 )</u>
Subtotal	<u>( 91,466 )</u>	<u>( 29,219 )</u>	<u>-0-</u>	<u>( 120,685 )</u>
Net Capital Assets Being Depreciated	<u>610,660</u>	<u>81</u>	<u>-0-</u>	<u>610,741</u>
Total Net Capital Assets	<u>\$ 630,660</u>	<u>\$ 81</u>	<u>\$ -0-</u>	<u>\$ 630,741</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 20,626
Public safety	<u>8,593</u>
Total depreciation expense	<u>\$ 29,219</u>

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Business-type activities</b>				
<b>(Sewer system)</b>				
Capital Assets Not Being Depreciated				
Construction in progress	<u>\$ 691,966</u>	<u>\$ 2,201,510</u>	<u>\$ -</u>	<u>\$ 2,893,476</u>



Township of Handy  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended June 30, 2004:

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
2002 G.O. Tax Bonds	\$ 400,000	\$ -	\$ 15,000	\$ 385,000	\$ 15,000
1999B MI Transportation Bonds	<u>160,000</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
Governmental activity long-term liabilities	560,000	-0-	95,000	465,000	95,000
Business-type activities					
Enterprise Fund					
Sewer Fund					
2003 Sewer System Bonds	<u>4,670,000</u>	<u>-</u>	<u>245,000</u>	<u>4,425,000</u>	<u>245,000</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,230,000</u>	<u>\$ -0-</u>	<u>\$ 340,000</u>	<u>\$ 4,890,000</u>	<u>\$ 340,000</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligations

\$400,000 General Obligation Tax Bonds dated September 1, 2002, due in annual installments ranging from \$15,000 to \$40,000 through October 1, 2017 with interest ranging from 4.45 to 4.70 percent, payable semi-annually. \$ 385,000

\$400,000 Michigan Transportation Fund Bonds Series 1999B dated August 1, 1999, due in an annual installment of \$80,000 due August 1, 2004, with interest of 4.70 percent payable semi-annually. 80,000

\$ 465,000

Sewer System Bonds

\$4,670,000 Sewer System Bonds dated November 15, 2003, due in annual installments ranging from \$245,000 to \$250,000 through June 1, 2022 with interest ranging from 2.70 to 4.75 percent, payable semi-annually. \$ 4,425,000

Township of Handy

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE F: LONG-TERM DEBT - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Sewer System Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 95,000	\$ 18,849	\$ 245,000	\$ 169,140
2006	20,000	16,190	245,000	162,525
2007	20,000	15,300	245,000	155,910
2008	20,000	14,410	245,000	149,295
2009	25,000	13,409	245,000	142,680
2010-2014	140,000	49,355	1,225,000	586,613
2015-2019	145,000	13,746	1,225,000	337,692
2020-2022	-	-	750,000	70,625
	<u>\$ 465,000</u>	<u>\$ 141,259</u>	<u>\$ 4,425,000</u>	<u>\$ 1,774,480</u>

**NOTE G: RISK MANAGEMENT**

The Township is exposed to various risks of loss for workers' compensation for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE H: FUND EQUITY RESERVES**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2004:

Debt service fund	
Reserved for debt service	<u>\$ 3,228</u>

Township of Handy

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE I: BUILDING AND ZONING FINANCIAL INFORMATION**

The Village elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2004:

REVENUES	
Zoning permits	\$ 26,055
EXPENDITURES	
Salary	21,406
Supplies and other	<u>944</u>
TOTAL EXPENDITURES	<u>22,350</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 3,705</u>

**NOTE J: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	June 30,		
	<u>2004</u>	<u>2003</u>	<u>Description</u>
General Fund			
Due from other governmental units	\$ -	\$ 42,588	To correct understated
Revenue over (under) expenditures	-	42,588	due from other
Fund balance - beginning	42,588	-	governmental units
Sewer Fund			
Deferred revenue	-	( 4,276,464 )	To correct overstated
Revenues over (under) expenses	-	4,276,464	deferred revenue
Net assets - beginning	4,276,464	-	
Accrued liabilities	-	14,646	To correct understated
Revenues over (under) expenses	-	( 14,646 )	accrued interest payable
Net assets - beginning	( 14,646 )	-	

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Handy

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	\$ 250,000	\$ 246,000	\$ 249,208	\$ 3,208
Conditional transfer taxes	11,000	-	11,826	11,826
Trailer park fees	1,000	1,000	958	(42)
Penalties and interest	-	-	1,901	1,901
Total taxes	262,000	247,000	263,893	16,893
Licenses and permits	15,000	15,000	26,055	11,055
Intergovernmental				
State shared revenue	280,000	290,000	274,696	(15,304)
Local contributions	50,000	-	28,533	28,533
Total intergovernmental	330,000	290,000	303,229	13,229
Charges for services				
Administrative fees	55,000	28,000	78,636	50,636
Fire runs	15,000	10,000	4,203	(5,797)
Other	3,500	3,000	2,719	(281)
Total charges for services	73,500	41,000	85,558	44,558
Interest and rents				
Interest	2,000	5,000	3,069	(1,931)
Rents	9,000	9,000	12,674	3,674
Total interest and rents	11,000	14,000	15,743	1,743
Other				
Refunds and reimbursements	42,300	340,515	22,416	(318,099)
Miscellaneous	10	10	4	(6)
Total other	42,310	340,525	22,420	(318,105)
TOTAL REVENUES	733,810	947,525	716,898	(230,627)
EXPENDITURES				
General government				
Township Board	36,000	58,150	25,614	32,536
Recording secretary	3,500	3,500	3,311	189
Supervisor	20,500	20,561	20,205	356
Office manager	35,000	35,000	27,544	7,456

Township of Handy

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
General government - continued				
Elections	\$ 31,100	\$ 31,100	\$ 866	\$ 30,234
Assessor	43,300	43,300	39,600	3,700
Clerk	29,800	29,861	27,126	2,735
Board of Review	7,200	7,200	4,410	2,790
Treasurer	36,200	37,511	32,212	5,299
Cemetery	2,500	2,500	1,400	1,100
Township hall and grounds	135,100	246,458	125,337	121,121
Other	36,500	37,200	29,836	7,364
Total general government	416,700	552,341	337,461	214,880
Public safety				
Fire services	100,000	101,400	82,407	18,993
Planning commission	67,500	77,505	49,936	27,569
Total public safety	167,500	178,905	132,343	46,562
Public works				
Highways and streets	265,000	166,662	100,909	65,753
Street lighting	700	700	269	431
Refuse collection	5,000	5,000	2,424	2,576
Total public works	270,700	172,362	103,602	68,760
Community and economic development				
Zoning Board	21,000	24,153	22,350	1,803
Contracted services	7,000	7,000	7,000	-
Board of appeals	5,600	5,600	3,694	1,906
Total community and economic development	33,600	36,753	33,044	3,709
Recreation and cultural				
Parks and recreation	16,000	28,862	10,920	17,942
Other				
Payroll taxes	15,000	15,000	11,905	3,095
Insurance	10,000	13,789	12,552	1,237
Other	100,000	6,588	-	6,588
Total other	125,000	35,377	24,457	10,920

Township of Handy

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Debt service				
Principal	\$ 17,000	\$ 80,000	\$ 80,000	\$ -0-
Interest	-	5,600	5,600	-0-
Total debt service	17,000	85,600	85,600	-0-
TOTAL EXPENDITURES	1,046,500	1,090,200	727,427	362,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(312,690)	(142,675)	(10,529)	132,146
OTHER FINANCING USES				
Transfer out	-	(12,000)	(11,927)	73
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(312,690)	(154,675)	(22,456)	132,219
Fund balance, beginning of year	582,442	582,442	582,442	-0-
Prior period adjustment	-	-	42,588	42,588
Fund balance, end of year	<u>\$ 269,752</u>	<u>\$ 427,767</u>	<u>\$ 602,574</u>	<u>\$ 174,807</u>

## **OTHER SUPPLEMENTARY INFORMATION**



Township of Handy  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET

June 30, 2004

	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Station Debt</u>	<u>Fire Station Construction</u>	
ASSETS			
Cash and cash equivalents	<u>\$        12,603</u>	<u>\$              -0-</u>	<u>\$        12,603</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$          9,375	\$              -	\$          9,375
FUND BALANCES			
Reserved for debt service	<u>          3,228</u>	<u>              -</u>	<u>          3,228</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$        12,603</u>	<u>\$              -0-</u>	<u>\$        12,603</u>

Township of Handy

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	Debt Service	Capital Project	Total Nonmajor Governmental Funds
	Fire Station Debt	Fire Station Construction	
REVENUES			
Intergovernmental - local	\$ 20,984	\$ -	\$ 20,984
Interest	615	-	615
TOTAL REVENUES	21,599	-0-	21,599
EXPENDITURES			
Current			
Debt service			
Principal	15,000	-	15,000
Interest and fiscal agent fees	17,934	-	17,934
Capital outlay	-	2,215	2,215
TOTAL EXPENDITURES	32,934	2,215	35,149
EXCESS OF REVENUES (UNDER) EXPENDITURES	(11,335)	(2,215)	(13,550)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	11,927	2,215	14,142
Operating transfers out	(2,215)	-	(2,215)
TOTAL OTHER FINANCING SOURCES (USES)	9,712	2,215	11,927
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,623)	-0-	(1,623)
Fund balances, beginning of year	4,851	-	4,851
Fund balances, end of year	\$ 3,228	\$ -0-	\$ 3,228

Township of Handy

Agency Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Trust and Agency	Current Tax Collection	Total
ASSETS			
Cash	\$ 34,499	\$ 3,879	\$ 38,378
LIABILITIES			
Due to other funds	\$ 5,692	\$ -	\$ 5,692
Due to individuals and agencies	28,807	-	28,807
Due to other governmental units	-	3,879	3,879
TOTAL LIABILITIES	\$ 34,499	\$ 3,879	\$ 38,378

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Members of the Township Board  
Township of Handy  
Fowlerville, Michigan

As you know, we have recently completed our audit of the records of the Handy Township, Michigan as of and for the year ended June 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control and our discussions with management.

The Township should reconcile the current tax activity with the general ledger.

After analysis of the current tax fund, we determined that although the activity (i.e. receipts and disbursements) of the Current Tax Fund is being reconciled to the property tax subsidiary ledgers, it is not being reconciled with the general ledger on a periodic basis.

We suggest the Township reconcile the Current Tax Fund activity with the amounts recorded in the computerized general ledger system to assure that the ending liability balances are correct at least on a monthly basis. Reconciling this activity will strengthen and improve the internal control over property tax collections and disbursements.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. This condition did not affect our report on the financial statements dated December 21, 2004.

This report is intended solely for the information of management and the Township Board of the Handy Township and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 21, 2004